

Message Text

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ACTION EA-14

INFO OCT-01 EUR-25 ISO-00 XMB-07 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-02 COME-00 DODE-00 EB-11 FEA-02 FPC-01

H-03 INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07

RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 DRC-01

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FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 1108

INFO AMEMBASSY MOSCOW

C O N F I D E N T I A L TOKYO 4567

DEPARTMENT PASS EXIMMBANK

E.O. 11652: GDS

TAGS: ENRG, ETRD, EFIN, JA, UR

SUBJECT: YAKUTSK GAS PROJECT: VISIT OF JAPANESE BUSINESS

LEADER

SUMMARY: JAPANESE AND U.S. NEGOTIATORS MADE SUBSTANTIAL PROGRESS WEEK OF MARCH 25 IN SOLVING COMMERCIAL DIFFERENCES ON YAKUTSK GAS EXPLORATION PROJECT AND DREW UP DRAFT GENERAL AGREEMENT. HOWEVER, BOTH SIDES EXPRESSED CONCERN OVER PROBLEMS RE U.S. EXIMBANK FINANCING AND DECIDED THAT HIROSHI ANZAI, CHAIRMAN OF JAPANESE NATURAL GAS SUBCOMMITTEE, WOULD JOIN EL PASO CHAIRMAN BOYD FOR CONSULTATIONS WITH FEO DIRECTOR SIMON, CIEP CHAIRMAN FLANIGAN, AND EXIMBANK CHAIRMAN CASEY ON APRIL 16 AND 17 IN AN ATTEMPT TO CLARIFY USG WILLINGNESS TO PROCEED WITH PROJECT.

ACTION REQUESTED: ANZAI AND OTHER MEMBERS OF HIS PARTY WOULD ALSO LIKE TO CALL ON UNDER SECRETARY DONALDSON, ASSISTANT SECRETARY INGERSOLL, AND OTHER APPROPRIATE DEPARTMENT OFFICIALS BETWEEN
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APRIL 16 AND 19. PLEASE ADVISE. END SUMMARY.

1. JAPANESE SUPPORTERS OF YAKUTSK NATURAL GAS EXPLORATION PROJECT HAVE BEEN CONCERNED FOR SOME TIME OVER PROBLEMS INVOLVED IN OBTAINING U.S. EXIMBANK FINANCING FOR U.S. PORTION OF PROJECT. RECENTLY TECHNICAL-LEVEL JAPANESE MISSION VISITED EL PASO GAS TO DISCUSS OUTLINE OF GENERAL AGREEMENT ON EXPLORATION PHASE OF PROJECT. SUBSTANTIAL PROGRESS WAS MADE IN REACHING AGREEMENT ON TECHNICAL ASPECTS OF PROJECT; HOWEVER, BOTH SIDES VOICED CONCERN OVER UNCERTAINTIES INVOLVING U.S. EXMIMBANK CREDITS. THUS EL PASO RECOMMENDED, AND JAPANESE SIDE AGREED, THAT JOINT U.S.-JAPANESE DELEGATION SHOULD VISIT WASHINGTON TO ATTEMPT TO CLARIFY POLITICAL SITUATION. JAPANESE SIDE WILL BE HEADED BY CHAIRMAN OF NATURAL GAS SUBCOMMITTEE OF JAPAN-SOVIET ECONOMIC COOPERATION COMMITTEE, (ALSO CHAIRMAN OF TOKYO GAS), HIROSHI ANZAI AND MAY INCLUDE TOKYO GAS EXECUTIVE VICE-PRESIDENT TAKEO MURAKAMI AND INTERPRETER FUMI AKI OKUNO. JAPANESE UNDERSTAND THAT BOYD, CHAIRMAN OF EL PASO GAS, WILL HEAD U.S. SIDE. EMBASSY WAS INFORMED THAT BOYD HAS ALREADY SCHEDULED APPOINTMENTS FOR HIMSELF, ANZAI, AND OTHERS FROM BOTH SIDES, AS FOLLOWS:

- A) APRIL 16 - 4:00 P.M. - FEO DIRECTOR SIMON
- B) APRIL 17 - 2:00 P.P. - EXIMBANK CHAIRMAN CASEY
- C) APRIL 17 - 4:00 P.M. - CIEP CHAIRMAN FLANIGAN

2. TOKYOGAS V.P. MURAKAMI HAS REQUESTED EMBASSY ASSISTANCE IN ARRANGING ADDITIONAL APPOINTMENTS: CHAIRMAN ANZAI WOULD LIKE TO CALL ON UNDER SECRETARY DONALDSON, ASSISTANT SECRETARY INGERSOLL, AND OTHER DEPARTMENT OFFICIALS AS APPROPRIATE. ANZAI WILL BE AVAILABLE FOR APPOINTMENTS BEGINNING MORNING OF APRIL 16 THROUGH C.O.B. APRIL 19 (OTHER THAN AT TIME NOTED ABOVE). BOYD WILL APPARENTLY NOT ACCOMPANY ANZAI TO DEPARTMENT.

3. AS NOTED ABOVE, SUBSTANTIAL PROGRESS MADE ON TECHNICAL ISSUES DURING BILATERAL CONSULTATIONS IN HOUSTON DURING WEEK OF MARCH 25 AND IT APPEARS THAT ALL OF COMMERCIAL DIFFERENCES HAVE BEEN VIRTUALLY SOLVED BETWEEN JAPANESE AND EL PASO. AT SESSION, TWO SIDES PRODUCED DRAFT GENERAL AGREEMENT ON EXPANDED EXPLORATION WORK TO CONFIDENTIAL

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ESTABLISH WHETHER SUFFICIENT RESERVES OF NATURAL GAS EXIST IN YAKUTSK AREA. (COPY OF AGREEMENT WILL BE FORWARDED BY AIRGRAM). AGREEMENT IS DESIGNED TO BE BASIS FOR COOPERATION BY THREE COUNTRIES IN EXPLORATION PROJECT. ACCORDING JAPANESE DRAFTERS, AGREEMENT CAREFULLY AVOIDS CLEAR COMMITMENT TO PURCHASE NATURAL GAS WHICH MAY BE FOUND, AND REFERS ONLY TO MEMORANDA ALREADY AGREED BETWEEN USSR AND TWO SIDES. AMONG THIRTEEN ARTICLES OF DRAFT AGREEMENT ARE DESCRIPTIONS IN

GENERAL TERMS OF A) CONDITIONS FOR PROCUREMENT OF MACHINERY, EQUIPMENT, AND MATERIALS; B) EXPLORATION LOANS; C) TECHNICAL COOPERATION; AND D) NATURAL GAS DEVELOPMENT. APPENDED TO DRAFT AGREEMENT IS TENTATIVE LIST OF MACHINERY AND EQUIPMENT SPECIFYING THAT \$101 MILLION IN EQUIPMENT WILL COME FROM JAPAN, AND \$98 MILLION FROM U.S. ACCORDING TO JAPANESE, IT IS HOPED THAT THREE SIDES CAN SIGN DRAFT AGREEMENT AFTER CONSULTATIONS WITH USG ARE COMPLETED.

4. ACTION REQUESTED: PLEASE ADVISE TIMES FOR APPOINTMENTS WITH DEPARTMENT OFFICIALS.
SHOESMITH

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